

GOVERNMENT OF INDIA  
MINISTRY OF COMMERCE AND INDUSTRY

PTC. 228 (N)



सत्यमेव जयते

# REPORT

OF THE



सत्यमेव जयते

# REPORT

OF THE

REV.OF RET.PRICES  
OF STEEL P.T.I.S CO.LTD

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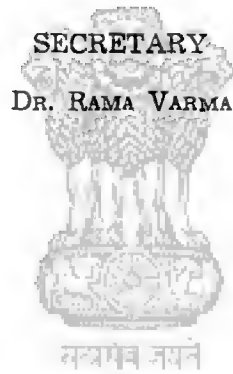
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## PERSONNEL OF THE COMMISSION

SHRI K. R. DAMLE, I.C.S. . . . .	<i>Chairman</i>
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**GOVERNMENT OF INDIA**  
**MINISTRY OF STEEL, MINES AND FUEL**  
**(DEPARTMENT OF IRON & STEEL)**

*New Delhi, the 1st July, 1957.*

**RESOLUTION**

**Steel Retention Prices**

**No. SC(A)-2(177)/56.**—In their resolution No. SC(A)-2(149)/55, dated the 1st February 1956 the Government of India have stated that if as a result of changes in railway freight, changes in statutory prices of coal and other fuel, raw materials, stores or machinery and changes in labour costs caused by labour legislation or adjudication or conciliation awards, the manufacturing costs of Tata Iron and Steel Co. and the Indian Iron and Steel Company alter from the 1954-55 level, the companies may represent in the matter and Government will consider such representation on merits. The two companies having represented in the matter in August 1956, the Tariff Commission was requested to enquire and recommend the increase in prices to be allowed to the two companies.

2. The Tariff Commission has submitted its report. The main recommendations are :—

- (i) that the average retention price payable to Tatas and IISCO for the period 1955-56 to 1959-60 and for all categories of steel taken together should be increased by Rs. 12 per ton ;
- (ii) that the 1954-55 retention price for IISCO should be increased by the same amount and consequently the average amount to be credited by that Company to its Development Fund during the period 1955-56 to 1959-60 will remain unchanged; and
- (iii) that the 1954-55 retention price for Tatas should be increased by Rs. 14 per ton and consequently the average amount to be credited by them to their Development Fund during the period 1955-56 to 1959-60 should be reduced by Rs. 2 per ton.

3. The Government of India have accepted these recommendations.

**ORDER**

**ORDERED** that a copy of this Resolution be communicated to all concerned and that it be published in the *Gazette of India Extraordinary*, Part I, Section I, dated the 1st July, 1957.

**K. S. RAGHUPATHI,**  
*Deputy Secretary to the Government of India.*

**REPORT ON THE REVISION OF THE RETENTION PRICES OF  
STEEL PRODUCED BY THE TATA IRON AND STEEL CO., LTD.,  
AND THE INDIAN IRON AND STEEL CO., LTD.**

**Reference to the Commission** 1. The present inquiry was undertaken in pursuance of the Government of India, Ministry of Heavy Industries, letter No. IS(A)-2(177)/56 dated 29th November, 1956 which has been reproduced in Appendix.

**Method of inquiry** 2. The Tata Iron and Steel Co., Ltd., (hereafter referred to as Tatas) and the Indian Iron and Steel Co., Ltd., (hereafter referred to as IISCO) in their representations to Government had furnished particulars of the factors which had resulted in an increase in their manufacturing costs since the last inquiry held in November, 1955. On the basis of this information, Shri N. Krishnan, Senior Cost Accounts Officer, and Shri P. M. Menon, Assistant Cost Accounts Officer, examined the changes in the cost of production of steel produced by the two companies and prepared estimates of the adjustments due to them. For this purpose, they visited Jamshedpur and Burnpur in January, 1957. The Senior Cost Accounts Officer had discussions with the representatives of IISCO at Calcutta on this subject. The representatives of Tatas met the Commission in Bombay on 5th February, 1957 and discussed certain points arising out of this inquiry.

**Basis of price revision** 3.1. The current retention prices for the various categories of steel produced by Tatas and IISCO were fixed by the Government of India, on the recommendation of the Commission, by the Ministry of Commerce and Industry Resolution No. SC(A)-2(149)/55 dated 1st February, 1956. These prices are to remain in force for a period of five years from 1st April, 1955, but are subject to the following Escalator Clause :

"The retention prices recommended by the Commission may be adjusted from time to time to the extent that Government are satisfied that manufacturing costs have altered from the 1954-55 level as a result of changes in railway freights, changes in statutory prices of coal and other fuel, raw material, stores or machinery and changes in labour costs caused by labour legislation or adjudication or conciliation awards"

The claims submitted by the two producers with regard to the increase in their manufacturing costs since the last inquiry have to be examined in terms of the above Escalator Clause. It will be observed that the base period mentioned in the Escalator Clause is 1954-55 and that only changes in manufacturing costs resulting from the factors specified in the Clause have to be taken into account. In particular, changes in costs resulting from variations in output or manufacturing efficiency are outside the scope of this inquiry. For example, in the case of IISCO, the cost of iron ore has gone up as a result of the Company having to purchase this material from new sources, but since this has become necessary only because of an increase in the output of the Company, no account has been taken

of this change in the present cost calculation. Since the economies resulting from the increase in output have been ignored, it is only fair that such increases in costs as are specifically attributable to the increase in output should be treated similarly. For the same reason, the increased cost of power incurred by Tatas as a result of their having to purchase larger quantities from the DVC has not been taken into consideration.

3.2. Although the changes in manufacturing costs have been determined separately for Tatas and IISCO, the data relating to the latter alone can be adopted for determining the adjustment in the effective retention prices due to both the producers. This is in accordance with paragraph 3 of the Ministry of Heavy Industries letter referred to above (Appendix). Under paragraph 6 of the Agreement between the Government of India and Tatas, the excess of the effective retention prices as adjusted under the Escalator Clause over the 1954-55 retention prices similarly adjusted is required to be credited to the Development Fund. A similar provision exists in the Agreement between Government and IISCO. The adjustment in the effective retention price, therefore, involves a corresponding adjustment in the 1954-55 price for the purpose of determining the amount to be credited by each company to its Development Fund. In the case of IISCO, the adjustment required in its 1954-55 retention price is the same as that found necessary in the effective retention price. In the case of Tatas, however, whose costs have gone up to a greater extent than those of IISCO, the adjustment required in the 1954-55 retention price is higher than that in the effective retention price, with the consequence that the amount to be credited by them to their Development Fund will be reduced.

3.3. For convenience of administration, we propose to indicate the adjustment required in the effective retention price payable to the two producers, as well as the adjustments required in their respective 1954-55 retention prices, in the form of average figures per ton of steel for the entire period of price fixation, namely, 1st April, 1955 to 31st March, 1960 and for all categories of steel taken together. It should be possible to make the necessary adjustments in the prices payable to the two producers and the amounts to be credited by them to their respective Development Funds on the basis of the average figures per ton of steel recommended by us.

4.1. The various items in respect of which the manufacturing costs of IISCO have increased since the last inquiry are discussed below :—

**Increases in costs claimed by IISCO**

- (i) **Coal.**—The prices of coking coal increased by 3 annas per ton from 12th November, 1955 and those of coking coal and non-coking coal by Rs. 3 per ton from 5th July, 1956. Coal also became subject to higher terminal charges at 12 annas per ton from 15th October, 1956. With effect from the same date, IISCO had to pay short distance charges on coal at 14 annas per ton for distances within 75 miles. This charge is not applicable to Tatas whose collieries are situated beyond 75 miles. One further factor affecting the cost of coal is the Award of the All-India Industrial Tribunal (Colliery

Disputes) which came into effect from 26th May, 1956. This Award has resulted in an increase in the cost of raising coal at the Company's collieries at Jitpur and Ramnagore by Rs. 2.5 and Rs. 4.5 per ton respectively. The increase in cost in the case of Tatas' own collieries is smaller, being Rs. 3.5 per ton. IISCO, however, draw from their own collieries a much smaller proportion of their total requirements, namely, 17 per cent. as against 55 per cent. in the case of Tatas.

- (ii) *Railway freight.*—With effect from 1st April, 1956 a surcharge of one anna in the rupee was levied on freight on goods traffic.
- (iii) *Refractories.*—The prices of refractories increased by 9 per cent. with effect from 5th July, 1956. The Refractory Makers' Association, Calcutta, explained this increase as due to the enhancement of coal prices, the surcharge on railway freight and certain other costs including additional payments to labour. IISCO obtain 70 per cent. of their total requirements of refractories from local sources, whereas in the case of Tatas, the proportion is 93 per cent.
- (iv) *Limestone and Dolomite.*—The Bisra Stone Lime Company from whom both the producers purchase their limestone has increased the price of this material by 5 annas 6 pies per ton from 1st April, 1955. We have admitted this increase. Tatas, however, claimed that a further increase in wages was likely to take place at the Birmitrapur limestone quarry belonging to the Bisra Stone Lime Company and that this would push up the cost of limestone further by 6 annas per ton. Since this latter increase has not yet come into effect, we have not taken it into consideration. Like limestone, the cost of dolomite has also gone up since the last inquiry.

4.2. The incidence of the factors mentioned above on IISCO's cost of production from the various dates from which they became effective is shown in the following statement. The incidence has been calculated, in accordance with the Escalator Clause, on the basis of an annual output of 290,000 tons on which IISCO's retention prices for 1954-55 were based.





4.3. The increases in cost shown in the above statement for the various periods are related to an annual output of 290,000 tons. However, for determining the average adjustment in the effective retention price due to the producers for the period 1955-56 to 1959-60, the above increases have to be weighted by the estimates of output adopted by us for these years. In the case of IISCO, the following estimates of output were adopted at the last inquiry.

	(Tons '000)
1955-56 . . . . .	330
1956-57 . . . . .	300
1957-58 . . . . .	375
1958-59 . . . . .	520
1959-60 . . . . .	640

4.4. The following statement shows the average increase in IISCO's manufacturing costs over the period 1955-56 to 1959-60 :

#### INDIAN IRON AND STEEL CO., LTD. BURNPUR

*Statement showing the average increase in IISCO's manufacturing costs during the period 1955-56 to 1959-60.*

		Estimated production	Increase per ton	Total amount
		Tons	Rs.	Rs.
1955-56	From 1-4-55 to 11-11-55	206,250	0.26	53,625
	„ 12-11-55 to 31-3-56	123,750	0.55	68,063
		330,000	0.37	121,688
1956-57	From 1-4-56 to 4-7-56	75,000	2.88	216,000
	„ 5-7-56 to 14-10-56	87,500	11.13	973,875
	„ 15-10-56 to 31-3-57	137,500	15.33	2,107,875
		300,000	10.99	3,297,750
1957-58	From 1-4-57 to 31-3-58	375,000	15.33	5,748,750
1958-59	From 1-4-58 to 31-3-59	520,000	15.33	7,971,600
1959-60	From 1-4-59 to 31-3-60	640,000	15.33	9,811,200
GRAND TOTAL		2,165,000	12.45	26,950,988

4.5. It will be seen that the average increase in the effective retention price due to IISCO for the period 1955-56 to 1959-60 and for all categories of steel taken together works out to Rs. 12 per ton. The same increase is to be allowed in the Company's 1954-55 retention price, so that the amount to be credited by it to its Development Fund (which is based on the difference between the two prices) will remain unchanged.

5.1. The factors detailed above in the case of IISCO with respect to the prices of coking and non-coking coal, the terminal charges on coal, the cost of raising coal at the Company's own collieries, the surcharge on railway freight and the cost of limestone and refractories apply to Tatas as well. In addition, Tatas have claimed that following the publication of the Award of the All-India Industrial Tribunal (Colliery Disputes) 1956, they have had to grant increased emoluments to the workers at their ore mines and quarries. Although these increases, which came into effect from 1st June, 1956, were not imposed by any adjudication or conciliation awards but were the result of a settlement between the Company and the labour union, we have admitted them in view of the letter No. IS(A)-2(177)/56 dated 27th September, 1956 from the Ministry of Heavy Industries to the Company. Two other increases have occurred only in the case of Tatas. With effect from 2nd July, 1956 the Orissa Government have levied a cess on mineral production and this has affected the cost of iron ore, manganese ore, dolomite and limestone. The cess is at the rate of 5 per cent. of the pits mouth value in the case of iron ore and manganese ore and  $2\frac{1}{2}$  per cent. in the case of the other two materials. Secondly, with effect from 1st April, 1955 the Company has been paying a good attendance bonus to the contract labour engaged at its iron ore and manganese mines and dolomite quarry. The system of good attendance bonus was actually introduced in 1952-53, but pending final decision the bonus was being paid as an advance. The final decision in this matter was taken in 1955.

5.2. In terms of the Escalator Clause, the incidence of the above factors on Tatas' works cost has been calculated on the basis of an annual output of 760,000 tons on which their 1954-55 retention prices were based. The following statement shows the incidence per ton of steel due to these factors from the various dates from which they became effective.

# THE TATA IRON AND STEEL COMPANY, LIMITED, JAMSHEDPUR

Statement showing the increase in the manufacturing cost of steel due to changes in coal prices, railway freight etc. as compared with the 1954-55 level

Period	From 1-4-55		From 12-11-55		From 1-4-56		From 1-6-56		From 5-7-56		From 15-10-56	
	Total amount	Per ton	Total amount	Per ton	Total amount	Per ton	Total amount	Per ton	Total amount	Per ton	Total amount	Per ton
Production in tons	475,000		285,000		126,666		63,334		221,667		2,628,333	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1. Increase in cost of coal	..	..	22,254	.08	9,891	0.08	4,945	.08	1,802,896	8.13	21,368,347	8.13
2. Increase in railway freight	..	..	..	..	251,664	1.99	125,892	1.99	440,412	1.99	5,519,499	2.10
3. Increase in terminal charges	..	..	..	..	..	..	..	..	..	..	4,936,133	1.84
4. Increase in Local Refractory Prices	..	..	..	..	..	..	..	..	288,167	1.30	3,416,833	1.30
5. Increase in wages at ore mines and quarries	..	..	..	..	..	..	107,668	1.70	376,834	1.70	4,468,166	1.70
6. Cess on mineral production	..	..	..	..	..	..	..	..	139,650	.63	1,655,850	.63
7. Good attendance bonus	313,500	.66	188,100	.66	84,291	.66	42,145	.66	147,508	.66	1,734,700	.66
8. Increase in Limestone Prices	107,646	.23	64,588	.23	28,706	.23	14,353	.23	50,235	.23	604,517	.23
<b>Total</b>	<b>421,146</b>	<b>.89</b>	<b>274,942</b>	<b>.97</b>	<b>374,552</b>	<b>2.96</b>	<b>294,943</b>	<b>4.66</b>	<b>3,245,702</b>	<b>14.64</b>	<b>43,604,045</b>	<b>16.59</b>

5.3. In order to arrive at the average increase in Tatas' cost over the period 1955-56 to 1959-60, the increases shown in the above statement have to be weighted by the estimates of output adopted by us for these years. Tatas' output from 1955-56 to 1959-60 was estimated at the last inquiry as follows :—

	(Tons '000)
1955-56 . . . . .	780
1956-57 . . . . .	800
1957-58 . . . . .	900
1958-59 . . . . .	1,200
1959-60 . . . . .	1,500

5.4. The average incidence of the cost increases discussed above on Tatas' works cost over the five years ending 1959-60 and for all categories of steel taken together works out to Rs. 14 per ton as shown in the following statement :—

#### THE TATA IRON AND STEEL COMPANY LIMITED

*Statement showing the average increase in TATA's manufacturing costs during the period 1955-56 to 1959-60*

				Estimated production	Increase per ton	Total amount
				Tons	Rs.	Rs.
1955-56	From	1-4-55 to 11-11-55		487,500	0.89	433,875
	„	12-11-55 to 31-3-56		292,500	0.97	283,725
				780,000	0.92	717,600
1956-57	From	1-4-56 to 30-5-56	. . .	133,333	2.96	394,666
	„	1-6-56 to 4-7-56	. . .	66,667	4.66	310,668
	„	5-7-56 to 14-10-56	. . .	233,333	14.64	3,415,995
	„	15-10-56 to 31-3-57	. . .	366,667	16.59	6,083,006
				800,000	12.76	10,204,335
1957-58	From	1-4-57 to 31-3-58	. . .	900,000	16.59	14,931,000
1958-59	From	1-4-58 to 31-3-59	. . .	1,200,000	16.59	19,908,000
1959-60	From	1-4-59 to 31-3-60	. . .	1,500,000	16.59	24,885,000
GRAND TOTAL				5,180,000	13.64	70,645,935

5.5. The average increase of Rs. 14 per ton indicated in the above statement exceeds the corresponding figure for IISCO by Rs. 2. The adjustment in the effective retention price payable to both the producers, however, is to be made only on the basis of IISCO's costs. The effective retention price payable to both the producers should, therefore, be increased only by Rs. 12 per ton which is the figure for IISCO.

5.6. For the purpose of determining the amount to be credited by Tatas to their Development Fund, however, it is necessary to take into account the increase in their costs which is Rs. 14 per ton. Tatas' 1954-55 retention price should, therefore, be increased by Rs. 14 per ton. Since, as stated above, the effective retention price is to be increased by Rs. 12 per ton, whereas Tatas' 1954-55 retention price is to be increased by Rs. 14 per ton, the amount to be credited by them to their Development Fund (which is based on the difference between the two prices) will be reduced by Rs. 2 per ton.

5.7. Details of the increase in the manufacturing costs of IISCO and Tatas are given in the Cost Report which is being forwarded as a separate enclosure to this Report.

6. We accordingly recommend :—

- Recommendations**
- (i) that the average retention price payable to Tatas and IISCO for the period 1955-56 to 1959-60 and for all categories of steel taken together should be increased by Rs. 12 per ton;
  - (ii) that the 1954-55 retention price for IISCO should be increased by the same amount and consequently the average amount to be credited by that Company to its Development Fund during the period 1955-56 to 1959-60 will remain unchanged; and
  - (iii) that the 1954-55 retention price for Tatas should be increased by Rs. 14 per ton and consequently the average amount to be credited by them to their Development Fund during the period 1955-56 to 1959-60 should be reduced by Rs. 2 per ton.

**Acknowledgements** 7. We wish to thank the representatives of Tatas and IISCO for their co-operation in carrying out this investigation.

K. R. DAMLE,  
Chairman.

B. N. ADARKAR,  
Member.

C. RAMASUBBAN,  
Member.

S. K. MURANJAN,  
Member.

J. N. DUTTA,  
Member.

RAMA VARMA,  
Secretary.

BOMBAY,  
Dated the 19th February, 1957.

## APPENDIX

[Vide paragraph 1.]

No. IS(A)-2(177)/56

GOVERNMENT OF INDIA

### MINISTRY OF HEAVY INDUSTRIES

New Delhi, the 29th November, 1956.

To

THE SECRETARY,  
TARIFF COMMISSION,  
101, QUEEN'S ROAD,  
BOMBAY--1.

SUBJECT.—Steel retention prices of TATAS and IISCO.

SIR,

I am directed to invite your attention to the Government of India, Ministry of Commerce and Industry Resolution No. SC(A)-2(149)/55, dated the 1st February, 1956 on Steel Retention Prices and to say that TATAS and IISCO have now represented to Government that their manufacturing costs have increased due to changes in the price of coal, local refractories and freight. The details of the respective claims of TATAS and IISCO are indicated in the Enclosures 'A' and 'B' attached.\* In addition, Tatas have also represented that the terminal charges on Coal, Coke, etc. have been increased by Re. 0-12-0 per ton from the 15th October, 1956 and as a result their manufacturing cost per ton of saleable steel will increase by Rs. 1.89 (the consumption of coking steam and gas coal being 2.52 tons per ton of saleable steel at their Work). No representation has so far been received from IISCO in respect of the terminal charges on coal, but as the increased rates of terminal charges will affect their costs also, Tariff Commission may take into account the effect of the increased terminal charges on IISCO's costs, for the purpose of the examination indicated in the following paragraphs.

2. The Tariff Commission is requested to examine the cost of the increases in the manufacturing costs of TATAS and IISCO due to the factors mentioned in para 1 above, and recommend the adjustments necessary in the retention prices recommended in paragraph 28 and the adjusted 1954-55 prices recommended in paragraph 29 of the Tariff Commission's Report, dated the 30th November, 1955.

3. I am also directed to say that Government desire that the revised uniform retention prices for both the producers should be fixed on the basis of the cost of production of IISCO, as has been done while fixing the existing retention prices.

Your's faithfully,

P. S. V. RAGHAVAN,

Under Secretary to the Government of India.

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\*Not reproduced.